

401a Defined Contribution Retirement Plan (DCRP) Investment Options
Structure and EIAC Recommendation Summary
Montana Public Employees' Retirement Board – June 1, 2006

The EIAC met on May 10, 2006 to continue its review of the 401a DCRP investment options. The review began on March 8, 2006 with Howard Biggs, of Arnerich, Massena & Associates, Inc., presenting the annual report of the investment options and compliance with the benchmarks and criteria established in the Board's adopted investment policy statements. The March 8, 2006 EIAC meeting resulted in 5 recommendations. The May 10, 2006 EIAC meeting resulted in 2 additional recommendations. Recommendations are noted in and after the following chart which summarizes the DCRP investment option structure per Board decisions.

Fund Name Category & Class	Fund and Status
Fixed	Montana Fixed Fund
Balanced	Vanguard Balanced Index 2002
Bond	Vanguard Total Bond Market Index 2002
Large Cap Core	Vanguard Equity Income 2002
Large Cap Value	Vanguard Growth & Income 2002
Large Cap Blend	Barclay Global Equity Index 2002
Large Cap Growth	American Funds Growth Fund A 2002
Mid Cap Value	Janus Mid Cap Value Added 2003 Replaced the MSIF Mid Cap Value
Mid Cap Growth	Artisan Mid Cap Investors Fund Probation and Search for new fund 2006
Small Cap Value	Hotchkis & Wiley Small Cap Value Added 2003 Replaced the SEI Institutional Small Cap Value
Small Cap Blend	Vanguard Small Cap Index 2002
Small Cap Growth	Brown Capital Small Company 2002 Probation 2005 Search for new fund 2006
World Stock	American Funds New Perspective 2002 Oakmark International Replaced SSGA MSCI EAFE Index 2003 SSGA would not sign trading agreements SSGa International Growth Opp 2002

May 10, 2006 EIAC Recommendations
401a Defined Contribution Retirement Plan

Recommendation #1: Mid Cap Growth Fund

Terminate the Artisan Mid Cap Investors and **replace** with the Munder Mid Cap Core Growth.

EIAC rationale for Munder Mid Cap Core Growth: based upon manager search conducted by Arnerich, Massena & Associates, the Munder Mid Cap Core Growth fund has:

- good returns
- low volatility
- low expense ratio

EIAC vote: unanimous.

Recommendation #2: Small Cap Growth Fund

Terminate the Brown Capital Small Company and **replace** with the Managers AMG Essex Small/Micro Cap Growth.

EIAC rationale for the Managers AMG Essex Small/Micro Cap Growth: based upon manager search conducted by Arnerich, Massena & Associates, the Managers AMG Essex Small/Micro Cap Growth fund has:

- better performance
- less volatility.

EIAC vote: unanimous.

Possible Board Motions:

Option A: I move we accept and approve the above EIAC recommendations for investment option changes within the 401a Defined Contribution Retirement Plan.

Option B: I move we accept and approve the following specified EIAC recommendation for investment option changes within the 401a Defined Contribution Retirement Plan (define which recommendation to accept and approve).

Moved by: _____

Seconded by: _____

Vote: _____